

Again using the 1040, income taxes begin to exceed payroll taxes at a wage income of \$55,500 for singles. For a head of household with two children, income must be nearly \$100,000 before income taxes exceed payroll taxes. For a married couple with one parent working and four children, income must be nearly \$150,000.

Meanwhile, they already were hit up for more than \$6,000 in payroll taxes (\$500 per month). A working poor household with at least one child and earnings of \$20,000 would be nowhere near paying any income taxes but already would be out more than \$3,000 in payroll taxes (\$250 per month).

### Calculating the dominance

Using the 1040 tax form from 2005 (assuming the standard deduction and no other income), a married family with two children would start paying income taxes on any income earned above \$41,000.

Using IRS data from 2003, income taxes began to exceed payroll taxes at an average adjusted gross income in the \$125,000 to \$130,000 range, with an average of \$110,000 in wages and \$14,000 each in payroll and income taxes.

Unlike income tax, there are no deductions or exemptions for payroll tax. Every single dollar is taxed. As such, it is easy to imagine why payroll taxes typically impose a larger burden than income taxes. And it should be easy to see why the working poor are hit hardest of all.

Everyone else loses 15.3 percent of every dollar earned. (There was an income cap of \$90,000 in 2005 for 12.4 percent of the tax. The other 2.9 percent tax applies to all dollars earned.)

### The larger burden

The payroll tax is used to finance Social Security and Medicare -- as money is taken from current taxpayers and given to current retirees. Some workers can opt out of the system, including ministers (as a matter of "conscience") as well as some public school teachers and other government employees who have their own retirement plans.

Finally, payroll taxes are ignored because they're rarely a part of our political discussion. Ironically, although income taxes are far more famous, it turns out that payroll taxes impose a larger burden on 80 percent to 90 percent of working Americans.

Do you think the gas station picks up the tab for those taxes?

But don't be fooled. Employees bear the brunt of the employers' half as well, through lower wages. If this seems odd, ask yourself who bears the brunt of taxes on gasoline and cigarettes.

Fourth, some of the tax on income is hidden under the guise of employers paying half of the payroll tax on labor.

Third, the taxes on income are divided into payroll taxes and so-called income taxes. Of course, two smaller taxes are less obvious than one larger tax.

Second, we don't fill out "payroll tax" forms like the 1040 for income taxes. So, we're not forced to think about it at least one time per year.

U.S. Rep. John Hostetler (R-Ind.) introduced HR 3409 to eliminate withholding. Its chief merit would be to make the true cost of government much more obvious.

I think how much different it would be if everyone had to write a quarterly check to the government for their tax bill.

### The five reasons

First, the taxes are withheld from our paychecks before we ever see the money.

Aside from April 15, we usually don't pay much attention to federal taxes on income. Why?

It's bad enough that he takes so much money, but why does Congress make us spend billions of hours filling out forms to pay him? (Does anyone know how many members of Congress fill out their own taxes?)

On April 15, the tax man cometh. Actually, he comes all year round. But on that one day, he is most obvious -- and most irritating.

## Payroll tax imposes a much larger burden

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It is easy to see why payroll taxes usually are more dominant in their effect than income taxes

**Efficient answers**

Why do so few people talk about payroll taxes? As noted above, it is relatively difficult to see the burden of payroll taxes. But part of the answer is political

Republicans are more interested in reducing income taxes, where the upper half of the earnings distribution pays nearly all of that tax. Meanwhile, Democrats are happy to posture in opposing income tax reductions for "the rich"

One would think Democrats -- as supposed defenders of the poor and the working class -- would at least talk about reducing taxes on those groups. But they don't seem to be particularly fond of any tax reduction, and they apparently gain too much political mileage from bashing any attempts to reform Social Security.

Instead of our current payroll and income taxes, wouldn't it be better to eliminate all deductions (except perhaps charity), to exempt all income below the poverty line from taxation, and then to impose a flat tax on any income earned above the poverty line?

It would be much more efficient in terms of compliance. And it would be much less painful for the working poor who get hammered by payroll taxes. Alas, such reforms seem far away. In the meantime, Happy Tax Day to you!

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